

Foreign Capital Outlays and Sales of U.S. Companies

Expansion of Manufacturing Facilities at Peak Rate

Sales of Foreign Plants Continue Steady Rise

UNITED STATES direct-investment enterprises abroad are planning to spend over \$4.5 billion this year for plant and equipment, and expect to maintain this rate during 1962. Of this total, nearly \$4 billion is expected to be invested in production facilities for manufactures, petroleum, and raw materials of various kinds, the remainder for utilities, trade

and distribution and service industries.

The 1961 amount exceeds the previous year's actual investment by more than 20 percent, and approaches the earlier high established in 1957 when the petroleum industry was extremely active abroad.

Capital outlays by U.S. manufacturing companies abroad are expected to reach a new peak of \$1.8 billion this year, and are planned to continue at this rate in 1962. This compares with \$1.3 billion spent in 1960, which was close to the previous record high of 1957.

Expenditures by the petroleum industry for investment abroad are rising in 1961 to \$1.8 billion, after 3 years of decline. Although planned expenditures in 1961 would be far below the top of \$2.3 billion set in 1957, they would be 20 percent higher than in 1960. Capital investment in mining is continuing to hold steady at about \$400 million, with a slight decline expected in 1962.

Other industries, in the aggregate, are expected to spend at a rate of nearly \$600 million in 1961 and 1962 for capital equipment. This represents a slight increase over 1960, accounted for by the rising expenditures of trading and distribution firms.

Large Increase in Manufacturing Investment

U.S. manufacturing companies anticipate an increase of 30 percent in outlays for capital equipment in 1961, with only a small decrease from this high now expected for 1962. All areas but Canada show an upturn for 1961, and most manufacturing industries are increasing their outlays, the rest remaining steady.

Europe.—Outlays in Europe—over half of the total—are rising sharply in both the Common Market countries and the United Kingdom. In 1962, expenditures are expected to drop

somewhat, particularly in Germany, but will still be 40 percent over the 1960 level.

The United Kingdom still attracts the greatest volume of capital investment, but with Germany now nearly as high. Outlays in the Common Market are expected to increase more than 50 percent in 1961. Over half of this increase is in the transportation equipment industry, most of it in Germany.

Anticipated outlays are up by 45 percent in the United Kingdom in 1961, with this level of expenditures expected to be continued in 1962.

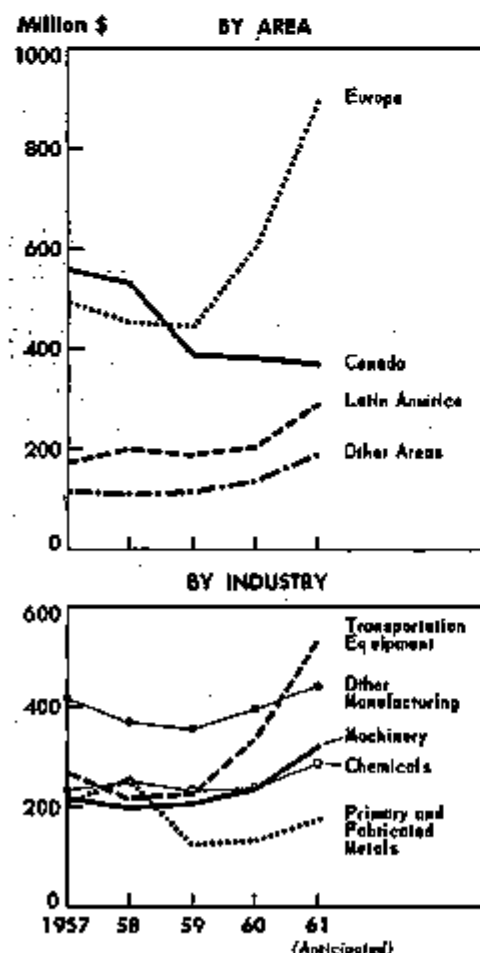
Canada.—Outlays for manufacturing in Canada are expected to remain steady through 1962. The decrease from the high of the 1957-58 period, when outlays totaled more than \$500 million each year, is caused by the decline in the primary and fabricated metals and the paper industries, which completed major additions to capacity in those years.

Latin America.—Manufacturing outlays in Latin America are expected to be about 40 percent higher in 1961 than in 1960, and are currently anticipated to continue high in 1962.

Capital expenditures in Argentina for 1961 will be the highest in Latin America, followed by those in Brazil and Mexico. More than half of the Argentine expenditures in 1961 will be made by producers of transportation equipment. In Brazil, major expansion is continuing in the chemical and transportation equipment industries, while in Mexico the chemical industry will have the highest outlays.

Manufacturing in the rest of the world is concentrated in a few countries, notably Australia, Japan, India, the Philippine Republic, and the Union of South Africa. Outlays in all but the last are increasing, with Australian companies expanding at the fastest

**PLANT AND EQUIPMENT
EXPENDITURES ABROAD**
U.S. Companies Project for 1961
Notable Expansion of
Manufacturing Facilities Abroad



rate. Expansion in India has been uneven, depending on the activities of a relatively few large companies.

Petroleum and Mining

About \$1.8 billion is expected to be spent by petroleum companies abroad in 1961, with slightly greater expenditures to be made in 1962. In addition, these companies spend abroad about \$400 million annually for exploration and development which is charged against income. The peak outlay, in 1957, was \$2.3 billion, exclusive of expenditures charged against income.

The 1961 expenditures represent an increase of about \$300 million over the prior year. Important are outlays now being made in Europe for refining and distribution facilities, and in North Africa, especially Libya, to develop new producing areas. The high investment in these areas is expected to continue in 1962. A slight upturn is anticipated in investments in Latin America in 1961, but the amount is still less than half of the 1957 total.

In Canada, capital expenditures by petroleum interests are expected to remain stable. Outlays in Asia are increasing in 1961, primarily in the producing fields of the Middle East, but these are considerably below the levels of 1957-58.

Mining investment steady

Capital expenditures in the mining and smelting industry will remain steady through 1962 at an annual rate of somewhat over \$400 million, plus about \$30 million of expenditures for exploration and development charged against income.

In Canada, expenditures are expected to be about \$40 million less in 1961 than the \$290 million total for 1960, and will decline to \$190 million in 1962, upon the completion of several large mining projects. Outlays were relatively low in Latin America in 1960 because of the cessation of investment operations in Cuba and because some major expansions have been completed in recent years, but larger outlays are expected in 1961 and 1962. The initiation of several large development projects in West Africa and Australia should require substantial investments there for several years.

Outlays by other industries, excluding companies engaged in international shipping, are holding at close to \$600 million annually in the aggregate. Companies engaged in trade and distribution continue to raise their capital outlays, which are now substantial.

Outlays by utility companies are now substantially less than in the 1957-59 period because of the completion of some pipelines and rapid changes in Latin America, including the loss of Cuban properties and the sale of some enterprises in Argentina and Mexico. Outlays in agriculture also are down considerably from 1957.

Comparison with domestic outlays

Foreign plant and equipment expenditures are becoming an increasingly large proportion of the overall capital investment programs of many U.S. manufacturing industries, as shown in table 4.

In 1961, they account for 18 percent of total domestic and foreign expenditures in these industries, compared to 13 percent in the previous year. The most marked increase is in the transportation equipment industry, which plans to make 30 percent of its capital expenditures abroad in 1961, compared with 20 percent in 1960. However,

Table 1.—Plant and Equipment Expenditures of Direct Foreign Investments, by Country and Major Industry, 1959-62

Areas	(Millions of dollars)											
	1959	1960	1961	1962	1959	1960	1961	1962	1959	1960	1961	1962
	Mining and smelting	Petroleum	Manufacturing	Mining and smelting	Petroleum	Manufacturing	Mining and smelting	Petroleum	Manufacturing	Mining and smelting	Petroleum	Manufacturing
All areas, total.....	437	1,558	1,147	424	1,467	1,337	434	1,775	1,755	497	1,704	1,705
Canada.....	240	388	389	294	348	354	250	375	371	190	345	278
Latin American Republics, total.....	124	397	292	53	297	246	73	329	240	70	312	258
Mexico, Central America and West Indies, total.....	23	20	42	10	20	30	10	23	50	7	23	55
Cuba.....	(*)	12	12	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)
Mexico.....	(*)	8	1	(*)	1	37	(*)	1	51	(*)	1	51
Other countries.....	(*)	17	1	(*)	18	2	(*)	23	5	(*)	22	(*)
South America, total.....	90	348	138	44	277	107	93	306	234	53	289	201
Argentina.....	(*)	(*)	28	(*)	(*)	61	(*)	52	103	(*)	36	71
Brazil.....	(*)	5	73	(*)	5	63	(*)	7	90	(*)	4	72
Chile.....	(*)	41	3	(*)	35	(*)	(*)	(*)	(*)	(*)	(*)	(*)
Colombia.....	(*)	25	12	(*)	25	21	(*)	34	18	(*)	31	15
Peru.....	(*)	47	17	(*)	17	9	(*)	32	13	(*)	24	10
Venezuela.....	(*)	230	14	(*)	100	17	(*)	175	25	(*)	100	27
Other countries.....	(*)	8	(*)	(*)	6	3	(*)	(*)	3	(*)	(*)	(*)
Western Hemisphere dependence.....	23	52	1	54	44	1	35	40	1	33	78	1
Europe, total.....	2	339	450	2	345	426	1	470	462	5	479	562
Common Market, total.....	1	176	214	(*)	145	238	(*)	229	294	(*)	214	155
Belgium and Luxembourg.....	(*)	11	8	(*)	20	18	(*)	8	15	(*)	6	10
France.....	(*)	41	46	(*)	32	60	(*)	41	82	(*)	32	70
Germany.....	(*)	60	124	(*)	36	205	(*)	87	244	(*)	130	305
Italy.....	(*)	20	11	(*)	18	20	(*)	72	35	(*)	20	43
Netherlands.....	(*)	44	11	(*)	20	23	(*)	22	23	(*)	27	21
Other Europe, total.....	(*)	163	235	(*)	200	240	(*)	241	236	(*)	215	407
Denmark.....	(*)	11	1	(*)	17	2	(*)	22	3	(*)	25	3
Norway.....	(*)	10	4	(*)	23	6	(*)	8	5	(*)	8	7
Spain.....	(*)	1	3	(*)	3	4	(*)	(*)	(*)	(*)	13	4
Sweden.....	(*)	13	3	(*)	17	4	(*)	25	3	(*)	35	4
Switzerland.....	(*)	3	4	(*)	4	8	(*)	4	8	(*)	5	10
United Kingdom.....	(*)	90	216	(*)	106	232	(*)	123	300	(*)	125	349
Other countries.....	(*)	21	3	(*)	30	6	(*)	45	6	(*)	26	12
Africa, total.....	34	74	30	44	115	10	63	195	10	89	228	11
North Africa.....	(*)	46	(*)	(*)	75	(*)	(*)	150	(*)	(*)	105	(*)
East Africa.....	(*)	8	(*)	(*)	7	(*)	(*)	7	(*)	(*)	13	(*)
West Africa.....	(*)	14	(*)	(*)	23	(*)	(*)	26	(*)	(*)	23	(*)
Central and South Africa, total.....	33	12	9	10	10	28	13	13	6	42	41	16
Union of South Africa.....	(*)	(*)	15	(*)	6	12	(*)	7	10	(*)	10	(*)
Other countries.....	(*)	(*)	(*)	(*)	2	13	(*)	2	(*)	(*)	(*)	(*)
Asia, total.....	3	173	45	(*)	176	72	(*)	216	91	1	195	75
Middle East.....	(*)	31	(*)	(*)	70	13	(*)	108	3	(*)	83	(*)
Far East, total.....	(*)	91	(*)	(*)	101	60	(*)	102	88	(*)	113	(*)
India.....	(*)	6	(*)	(*)	16	(*)	(*)	34	(*)	(*)	18	(*)
Japan.....	(*)	22	(*)	(*)	30	(*)	(*)	35	(*)	(*)	37	(*)
Philippines Republic.....	(*)	12	(*)	(*)	11	(*)	(*)	12	(*)	(*)	12	(*)
Other countries.....	(*)	(*)	(*)	(*)	4	(*)	(*)	(*)	(*)	(*)	(*)	(*)
Oceania, total.....	13	44	97	12	48	46	25	45	90	46	76	123
Australia.....	(*)	(*)	55	(*)	12	55	(*)	(*)	87	(*)	(*)	(*)
Other countries.....	(*)	(*)	(*)	(*)	(*)	2	(*)	(*)	(*)	(*)	(*)	(*)
International shipping.....	100	(*)	(*)	(*)	65	(*)	(*)	82	(*)	(*)	62	(*)

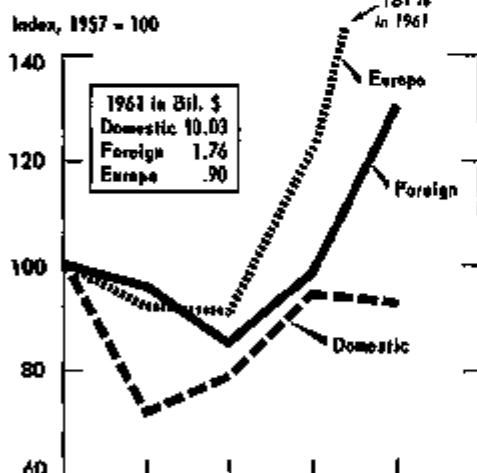
* Included in area total. ** Less than \$100,000. * Revised. * Estimated on the basis of company projections.
1. No estimates have been made for expenditures in Cuba in 1960, 1961, and 1962.
Note.—Totals may not add to totals due to rounding.

other manufacturing industries also are increasing the proportion of their plant and equipment expenditures abroad, especially the machinery, primary and fabricated metals, and food and beverage industries.

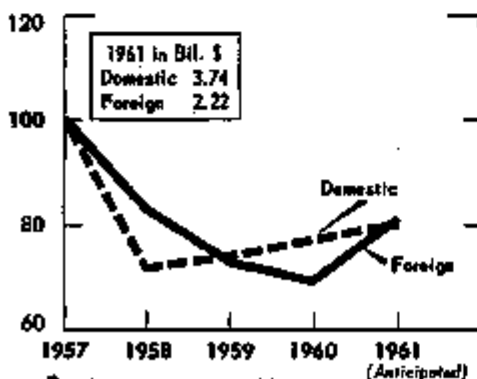
Expenditures for plant and equipment in foreign manufacturing are rising faster than for the domestic industry. The sharp divergence of this trend from the domestic experience is largely influenced by the transportation industry's expansion in Europe, and to a lesser extent in Latin America. Even in the other industries, however, domestic expenditures in 1961 remained practically unchanged, compared to 1960, while foreign expenditures show a strong upward trend.

**Comparison of Domestic and Foreign
Plant and Equipment Expenditures
By U.S. Companies—1957-61**

MANUFACTURING*—Upurge in Foreign
Expenditures Places Them Considerably
Above 1957; Domestic Still Below



PETROLEUM AND MINING—Foreign
Expenditures Show Recovery From 1960 Low



*Excludes Primary Iron and Steel and
Petroleum Products.

In the mining and petroleum industries, the trend for both domestic and foreign expenditures is upward. Foreign expenditures, having dropped for a longer period, are now rising at a faster rate than domestic expenditures.

**Inventories and Receivables
Increase**

In addition to the larger sums required to finance plant and equipment expenditures in 1960, as compared with 1959, inventories and receivables were expanded.

Inventories were up about \$800 million in 1960 in the mining, petroleum, and manufacturing industries, about twice the amount for 1959. Most of the accumulation took place in manufacturing, with enterprises in Europe accounting for more than half of the total increase.

On an industry basis, the accumulation was greatest in transportation equipment, accounting for about one-third of the manufacturing total. The accelerated accumulation of manufacturing inventories in Europe, Australia, and the more developed countries of Latin America reflects a rapid growth of sales and some anticipated future expansion. In the mining industry there were some inventory accumulations, particularly in Canada. Petroleum companies increased their inventories slightly in 1960, after 2 years of net liquidation.

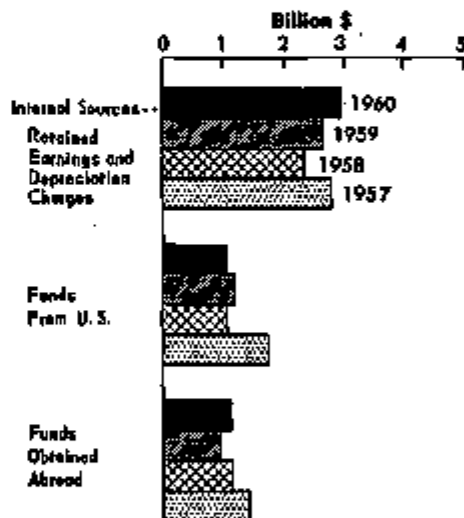
Receivables also grew at an increased rate in 1960, with about two-thirds of the increase accounted for by the manufacturing industry, and a considerable increase in receivables in the petroleum industry.

Other assets were increased by some \$400 million in the three major industries in 1960, about half of the 1959 amount. The decline was shared by all three industries, and could be noted in most areas. A marked decline occurred in the manufacturing industry in Europe, reflecting a drawing down of these assets, primarily cash, by several large automobile manufacturers to finance the heavy investment in inventories and plant and equipment during 1960.

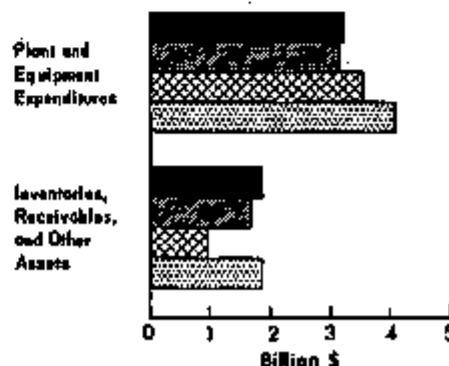
Sources of Financing

AN important aspect of the data on sources and uses of funds of the direct investment enterprises abroad, now being collected annually by the Office of Business Economics, is the broader coverage of the financial resources utilized by U.S. business abroad. Some of this information, related to funds obtained from the United States and those available out of retained earnings, is similar to that collected for use in the balance-of-payments accounts. However, much of the foreign activity of the companies is financed out of depreciation and depletion charges of the foreign

**SOURCES AND USES OF FUNDS
Direct Foreign Investments
SOURCES: Internal Financing
An Increasing Proportion**



**USES: Larger Requirements in 1960 for
Fixed Investments and Working Capital**



NOTE: Includes only the manufacturing, mining and
petroleum industries.

enterprises, and through funds obtained from investors and capital markets abroad.

In 1960 about \$5.1 billion was required by the manufacturing, mining, and petroleum industries to expand their fixed and other assets abroad. Of this sum, nearly 60 percent was provided from internal sources of the foreign enterprises, including retained earnings of \$1.0 billion and depreciation charges of \$1.9 billion. External financing was obtained from parent companies and others in the United States (\$1.0 billion), and from foreign creditors and investors (\$1.1 billion).

The volume of financing utilized in 1960 was about \$250 million larger than in 1959, but below the peak amount of nearly \$6 billion in 1957, the top year of investment abroad.

Depreciation charges make the largest contribution to the cash flow of the direct foreign investments. These charges for the three major industries amounted to nearly \$2.0 billion in 1960 and are growing by about \$150 million annually.

At current levels, depreciation charges in the aggregate finance about 60 percent of foreign plant and equipment

expenditures. In comparable domestic industries the proportion is higher, covering recently about three-quarters of manufacturing requirements, and a still higher proportion for the petroleum and mining industries.

About \$950 million of the depreciation charges for 1960 originated in the petroleum industry, including about \$50 million for depletion. These charges were equal to over half of the industry's capital expenditures, matching present outlays for plant and equipment in Latin America, but falling much below the amount required for this purpose in Europe.

Depreciation charges by manufacturing enterprises were about \$800 million in 1960, and are growing rapidly in line with the expansion of the industry. However, sharply increased requirements of funds for capital investment, as well as for inventory expansion, caused these companies to obtain a larger proportion of their financing from external sources abroad and retained earnings.

Retained earnings

Of the \$1.0 billion of retained earnings in mining, petroleum, and manu-

Table 3.—Plant and Equipment Expenditures of Direct Foreign Investments in Selected Industries, 1959-62

(Millions of dollars)

	1959 *	1960 *	1961 *	1962 *
All areas, total	593	525	597	593
Agriculture.....	70	73	68	83
Public utilities.....	101	143	141	126
Trade.....	103	260	201	313
Miscellaneous.....	20	87	59	91
Canada, total	170	235	296	194
Agriculture.....	35	35	38	35
Public utilities.....	38	85	55	40
Trade.....	45	200	165	245
Miscellaneous.....	55	45	58	30
Latin America, total	214	125	121	154
Agriculture.....	37	30	20	20
Public utilities.....	128	40	35	33
Trade.....	31	35	45	45
Miscellaneous.....	18	20	21	20
Europe, total	115	127	147	194
Agriculture.....	(**)	(**)	(**)	(**)
Public utilities.....	0	0	0	0
Trade.....	101	125	135	195
Miscellaneous.....	8	7	7	0
Other areas, total	64	72	35	55
Agriculture.....	7	8	8	8
Public utilities.....	22	13	16	9
Trade.....	21	38	40	57
Miscellaneous.....	14	15	15	25

* Revised. * Estimated on the basis of company projections. ** Less than \$500,000.

1. Excludes international shipping.

facturing in 1960, over \$740 million was accounted for by manufacturing enterprises. Net earnings in this industry increased by about \$100 million in 1960, and most of this increase was reinvested. This increase took place in all areas except Canada, where the amounts earned and reinvested were somewhat lower than in 1959.

In the petroleum industry retained earnings increased somewhat to \$150 million, although remaining much below the peak of \$3.8 billion in 1957. Earnings of this industry increased by about 14 percent in 1960, but petroleum companies continued to obtain their financing largely from depreciation and depletion funds, and capital flow from the United States.

Retained earnings by mining companies declined slightly in 1960, although the net income of these companies rose sharply. However, with the completion of several major projects in Latin America, the need for financing was diminished in that area, where a large part of the industry's earnings originate.

External financing

Funds provided by parent companies and others in the United States were moderately lower in 1960 than in the preceding year, with each of the major

Table 2.—Plant and Equipment Expenditures Abroad by U.S. Manufacturing Companies, by Area and Major Commodity, 1959-62

(Millions of dollars)

Area and year	Total	Food products	Paper and allied products	Chemicals	Rubber products	Primary and fabricated metals	Machinery, except electrical	Electrical machinery	Transportation equipment	Other manufacturing
All areas, total										
1959.....	1,147	82	88	232	70	327	109	66	228	114
1960.....	1,357	97	78	237	68	333	132	104	358	132
1961.....	1,765	142	79	288	71	379	179	143	630	148
1962.....	1,706	112	72	301	74	382	167	128	610	150
Canada										
1959.....	269	22	65	78	14	68	30	27	60	43
1960.....	294	30	34	70	15	49	17	30	63	50
1961.....	371	30	60	66	18	60	23	35	40	46
1962.....	378	28	47	62	16	65	22	28	50	46
Latin America										
1959.....	193	20	8	59	18	10	5	15	41	20
1960.....	307	24	7	40	12	11	8	18	47	31
1961.....	390	44	9	58	11	20	5	37	80	28
1962.....	387	33	7	60	12	21	9	24	63	27
Europe										
Common Market										
1959.....	214	10	2	20	4	9	04	21	43	10
1960.....	326	17	2	44	11	10	72	21	128	23
1961.....	494	31	3	72	7	12	00	33	218	28
1962.....	435	21	3	65	6	13	83	30	280	30
Other Europe										
1959.....	230	13	5	66	23	30	20	17	40	22
1960.....	280	18	3	42	10	30	34	18	74	24
1961.....	395	20	4	56	14	55	41	31	143	33
1962.....	407	20	4	66	25	47	43	31	138	31
Other areas										
1959.....	115	11	3	22	19	7	5	10	20	11
1960.....	130	8	12	25	16	13	16	10	23	12
1961.....	191	11	4	41	19	32	11	15	38	13
1962.....	200	9	3	48	16	37	11	15	37	13

* Revised. * Estimated on the basis of company projections. NOTE.—Detail may not add to totals because of rounding. 1. Includes Western Hemisphere dependencies.

Table 4.—Domestic and Foreign Expenditures for Plant and Equipment in Selected Industries, 1959-61

(Amounts in millions of dollars)

	Expenditures—1959				Expenditures—1960				Expenditures—1961			
	Total	Domestic	Foreign	Percent of foreign to total	Total	Domestic	Foreign	Percent of foreign to total	Total	Domestic	Foreign	Percent of foreign to total
Mining and petroleum, total.....	5,475	5,480	1,995	36	5,523	5,530	1,883	34	5,584	5,770	2,214	37
Selected manufacturing industries, total.....	7,373	6,508	1,033	14	8,785	7,586	1,188	13	8,087	7,408	1,007	12
Primary and fabricated metals.....	1,127	1,000	127	11	1,143	1,010	133	12	1,056	958	108	10
Electrical machinery.....	610	528	82	13	784	680	104	13	822	720	102	12
Machinery, except electrical.....	1,010	910	100	10	1,232	1,100	132	11	1,279	1,100	179	14
Transportation equipment.....	1,258	1,030	228	18	1,094	1,010	84	8	1,700	1,170	530	31
Paper and allied products.....	715	630	85	12	828	758	70	8	789	720	70	9
Chemicals.....	1,402	1,230	172	12	1,537	1,400	137	9	1,638	1,450	188	12
Rubber products.....	290	190	100	34	230	230	0	0	230	230	0	0
Food products.....	913	830	83	9	1,017	920	97	10	1,122	980	142	13

* Revised.

1. Excludes primary iron and steel products.

Note: Foreign expenditures include acquisitions of existing fixed assets, which are excluded from the domestic series.

Table 5.—Sources and Uses of Funds of Direct-Investment Enterprises, by Area and Selected Industry, 1950-60

(Millions of dollars)

SOURCES OF FUNDS

Area and industry	Total sources			Net income			Funds from United States			Funds obtained abroad ¹			Depreciation and depletion		
	1958	1959	1960	1958	1959	1960	1958	1959	1960	1958	1959	1960	1958	1959	1960
All areas, total.....	6,441	6,774	7,336	3,411	2,637	3,265	1,055	1,131	1,048	1,168	955	1,108	1,835	1,771	1,527
Mining and smelting.....	900	873	1,015	243	372	519	237	184	156	65	133	147	150	202	191
Petroleum.....	3,307	3,382	3,330	1,333	1,180	1,300	629	638	644	628	245	153	839	914	837
Manufacturing.....	2,406	3,505	3,301	1,044	1,285	1,376	209	409	434	472	670	608	648	600	779
Canada, total.....	1,707	1,845	1,737	811	711	785	423	370	371	235	282	32	686	650	642
Mining and smelting.....	228	283	447	62	112	177	78	121	202	35	85	13	60	67	76
Petroleum.....	701	441	549	70	90	129	234	112	128	103	41	45	178	180	247
Manufacturing.....	804	1,009	741	403	500	470	113	158	31	97	80	30	289	300	319
Latin America, total ²	1,050	1,479	1,745	638	555	783	272	246	290	104	345	435	471	471	522
Mining and smelting.....	342	343	332	127	187	230	130	90	60	10	46	41	75	74	92
Petroleum.....	914	702	730	409	343	350	74	132	24	130	50	21	200	327	330
Manufacturing.....	394	434	683	117	135	170	67	70	70	123	169	160	60	70	80
Europe, total.....	1,539	1,877	2,461	543	638	658	163	381	612	511	447	430	363	429	457
Mining and smelting.....	12	12	11	8	8	10	1	(**)	(**)	2	3	1	1	1	2
Petroleum.....	646	678	463	108	116	87	66	169	273	248	144	12	122	169	145
Manufacturing.....	887	1,287	1,587	290	400	401	90	211	339	161	280	440	240	260	310
Other areas, total.....	1,345	1,552	1,703	514	551	1,022	208	164	73	114	230	382	305	316	345
Mining and smelting.....	90	123	236	45	65	119	18	27	10	8	11	74	19	20	22
Petroleum.....	1,102	1,172	1,168	735	648	790	155	134	19	42	140	144	230	230	255
Manufacturing.....	253	257	410	134	138	100	35	25	38	64	40	134	80	65	60

USE OF FUNDS

Area and industry	Total uses			Property, plant, and equipment			Inventories			Receivables			Other assets ²			Income paid out		
	1958	1959	1960	1958	1959	1960	1958	1959	1960	1958	1959	1960	1958	1959	1960	1958	1959	1960
All areas, total	6,441	6,774	7,336	3,461	3,142	3,204	33	378	730	368	487	641	961	638	599	1,854	1,949	2,266
Mining and smelting	900	873	1,015	427	427	426	30	27	50	10	37	37	47	70	41	210	263	418
Petroleum	3,307	3,382	3,330	1,834	1,558	1,467	53	78	50	187	110	164	200	192	158	1,101	1,055	1,221
Manufacturing	2,406	3,509	3,301	1,300	1,147	1,317	82	348	677	170	255	408	414	647	281	123	610	636
Canada, total	1,707	1,845	1,737	1,128	1,060	1,034	32	184	30	118	80	235	20	169	144	344	362	398
Mining and smelting	228	303	447	135	210	290	3	18	86	1	26	36	3	50	23	50	61	84
Petroleum	701	441	549	380	360	300	22	5	50	12	25	67	5	80	70	50	50	74
Manufacturing	801	1,000	741	613	390	384	65	160	30	35	80	46	173	167	75	215	233	267
Latin America, total ²	1,050	1,479	1,745	585	789	825	32	89	134	52	55	287	189	17	25	611	489	684
Mining and smelting	342	343	332	218	147	78	23	19	22	10	25	31	33	10	40	101	134	251
Petroleum	914	702	730	618	440	340	17	70	21	0	30	105	36	35	50	350	285	350
Manufacturing	394	434	683	291	193	207	49	101	126	51	40	151	39	33	124	64	85	74
Europe, total	1,539	1,877	2,461	872	791	955	49	24	463	169	237	229	189	372	78	291	363	364
Mining and smelting	12	12	11	2	2	2	(**)	(**)	(**)	1	1	1	(**)	1	1	10	11	0
Petroleum	646	678	463	414	390	340	49	39	10	23	3	43	40	29	100	125	82	
Manufacturing	887	1,287	1,587	408	400	408	78	89	424	40	214	220	147	280	40	180	247	265
Other areas, total	1,345	1,552	1,703	694	543	610	29	31	123	43	37	54	139	227	135	745	734	825
Mining and smelting	90	123	236	42	48	80	26	1	10	5	17	10	8	30	45	40	47	69
Petroleum	1,102	1,172	1,168	443	370	422	4	21	10	10	(**)	31	60	140	19	140	110	170
Manufacturing	253	257	410	140	115	138	30	0	17	30	20	44	55	71	51	68	72	80

** Less than \$500,000.

* Revised.

1. Includes miscellaneous sources.

2. Includes Western Hemisphere dependencies.

3. Includes miscellaneous uses.

industries shown in table 5 drawing somewhat less on this source. However, within the principal regions there was a considerable variation in behavior.

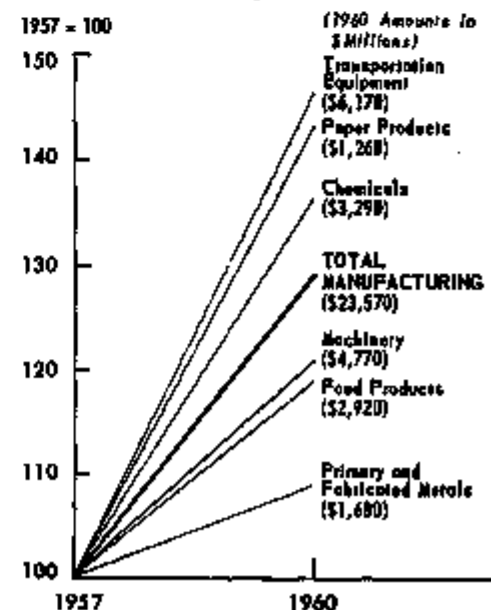
Where investment activity was not expanding, a more than proportional drop occurred in parent company financing, with other sources making up the difference. This was characteristic of manufacturing investments in Canada, mining and petroleum investments in Latin America, and petroleum investments in the Middle East. On the other hand, an increased flow of funds from the United States was required to finance accelerated investment programs in Latin American manufacturing, petroleum refineries and other facilities in Europe, and the development of new mining properties in Canada.

Funds obtained abroad

Foreign creditors and investors provided about \$1.1 billion of financing in 1960 for the three major industries, about \$120 million more than in 1959. This type of financing used by manufacturing companies increased more than \$230 million, to a total of more than \$800 million. Manufacturing enterprises in Europe and Latin America

SALES OF MANUFACTURES BY DIRECT- INVESTMENT ENTERPRISES ABROAD, 1957-60

Transportation Equipment and Paper Products Show Strongest Growth



each obtained an additional \$150 million from this source. Canadian manufacturing companies decreased their outstanding liabilities by \$80 million, reflecting their reduced need for working capital.

Petroleum companies further reduced their use of foreign financing as the growth of internal sources of funds continued to outstrip the need of funds for investment. The decline was largest in Europe, where there was a slight decrease in foreign liabilities in 1960.

It is noteworthy that the manufacturing and petroleum industries di-

verged in the utilization of local financing in Europe in 1960, when higher short-term interest rates in that area were attracting very large amounts of liquid funds from the United States. The data in table 5 suggest that the manufacturing companies, needing exceptionally large amounts to finance additions to both fixed assets and working capital, drew heavily on local sources, while the petroleum companies, not confronted with larger financing requirements, tended to advance funds from the United States.

Manufacturing Production Abroad by U.S. Companies

TOTAL sales of manufactures by the foreign subsidiaries and branches of U.S. companies were valued at \$23.6 billion in 1960. This was a gain of some 12 percent over the previous year, and over \$5 billion more than their sales in 1957, the first year for which data are available.

Output of U.S. companies in Europe is gaining rapidly, advancing by 22 percent from 1959 to 1960, and accounting for 60 percent of the overall increase in foreign sales since 1957. Sales of Canadian plants have increased moderately as shown in table 6, matching the lower pace at which industrial production in that country has been growing. Most of the recent gain in output in Latin America is in the production of automobiles, especially in Argentina.

On a commodity basis, increased output of transportation equipment accounted for over \$1 billion of the total \$2.5 billion 1959-60 increase in manufacturing sales of foreign plants. Increased output in the machinery categories, and in chemicals, was also substantial, and each of the other major lines of manufactures registered gains.

Comparison with exports

Between 1957 and 1960, exports of manufactures¹ from the United States advanced from \$10.8 billion to \$11.3 billion. In 1958 and 1959 such exports were under \$10 billion a year. In the same period production in the U.S.-owned manufacturing plants abroad

¹ Secs. 5 to 8, inclusive, of the Standard International Trade Classification.

Table 7.—Production Abroad by Direct-Investment Manufacturing Enterprises, by Selected Countries, 1957, 1959 and 1960

(Millions of dollars)			
	1957	1959	1960
All areas, total.....	18,381	21,100	23,570
Canada.....	7,837	8,870	8,830
Latin America, total.....	2,435	2,830	3,180
Argentina.....	288	420	678
Brazil.....	670	794	878
Mexico.....	613	761	770
Venezuela.....	208	304	300
Other countries.....	456	551	475
Europe, total.....	6,333	7,630	9,310
Belgium, Netherlands, and Luxembourg.....	410	461	803
France.....	703	799	953
Germany.....	1,110	1,373	1,834
Italy.....	230	244	300
United Kingdom.....	2,303	4,060	4,715
Other countries.....	485	574	813
Other areas, total.....	1,685	1,610	2,100
Australia.....	787	833	1,085
Japan.....	217	240	300
Philippine Republic.....	118	141	140
Union of South Africa.....	300	202	305
Other countries.....	263	304	340

1. Includes Western Hemisphere dependencies.
2. Includes production in Cuba amounting to \$140 million in 1957, and \$161 million in 1959, but excludes Cuba in 1960.

rose from \$18.3 billion to \$23.6 billion.

While this comparison is indicative of the rough magnitudes and trends involved, it must be noted that the commodity makeup of U.S. exports of manufactures is different from that of foreign production, and experience also varies in different foreign markets. In addition, sales of the foreign plants often include a substantial amount of materials or components exported from the United States.

In table 8, the trends for some specific major commodities are shown in principal areas. For these major manufactures, export growth from 1957 to 1960 was significant mainly in Europe and a few countries elsewhere. Exports of these items to Western Hemisphere markets were considerably reduced. In the same period production of these commodities in local plants rose substantially in each of the areas shown.

The strong growth of overall demand in Europe supported increases in both exports from the United States and in local production, but the volume of local production by U.S. companies of these commodities, and especially of automobiles, is far greater than U.S. exports to this area. In the Canadian market, exports of these manufactures changed little over the period, while local production of chemicals, automobiles, and nonelectrical machinery showed moderate improvement.

Table 6.—Sales of Manufactures by Direct-Investment Enterprises Abroad, Principal Commodities, by Areas, 1957, 1959, and 1960

(Millions of dollars)										
Area and years	Manufactures (total)	Food products	Paper and allied products	Chemicals	Rubber products	Primary and fabricated metals	Machinery, except electrical	Electrical machinery	Transportation equipment	Other products
All areas, total										
1957.....	16,381	2,437	881	2,411	908	1,548	1,803	2,047	4,328	1,239
1959.....	21,100	2,810	1,170	2,650	1,040	1,500	2,200	2,100	5,140	2,100
1960.....	23,570	2,920	1,200	3,290	1,170	1,680	2,490	2,280	6,170	2,310
Canada										
1957.....	7,837	928	700	897	272	922	695	1,080	1,488	812
1959.....	8,870	1,000	1,030	1,070	200	950	740	1,030	1,900	890
1960.....	8,830	1,030	1,100	1,130	310	920	730	1,010	1,950	950
Latin America ¹										
1957.....	2,435	408	55	408	229	111	50	100	375	202
1959.....	2,830	710	60	500	280	100	80	100	470	310
1960.....	3,180	750	70	620	280	100	100	240	710	310
Europe										
1957.....	6,333	734	34	822	202	435	1,000	678	1,700	639
1959.....	7,630	790	60	1,030	290	470	1,310	770	2,350	710
1960.....	9,310	900	60	1,240	300	500	1,430	800	2,970	850
Other										
1957.....	1,685	188	23	193	105	75	133	80	583	110
1959.....	1,610	320	30	240	200	70	150	110	720	140
1960.....	2,100	350	30	280	220	70	190	110	810	170

1. Includes Western Hemisphere dependencies.

Exports of major manufactures to Latin America declined in most categories from 1957 to 1960, as production within the area by U.S. companies continued to expand. For some items, principally machinery and others requiring comparatively advanced technology, exports remain larger than local production, but for such important categories as chemicals, automobiles, and some type of machinery, sales of the local plants are larger.

For each of the commodities included in table 8, production in U.S.-owned plants abroad has been expanding faster than exports. The divergence is striking for transportation equipment (excluding aircraft), exports of which declined from 1957 to 1960 while foreign production rose 50 percent; exports of electrical machinery also declined slightly as production abroad increased.

These data suggest that the growth of production in U.S.-owned plants abroad is a considerable influence on the commodity makeup and direction of U.S. export trade.

Table 8.—Exports From the United States and Production by Direct Investments Abroad of Selected Manufactures, by Area, 1957 and 1960

Commodities	[Millions of dollars]									
	All areas, total		Canada		Latin America ¹		Europe		Other areas	
	1957	1960	1957	1960	1957	1960	1957	1960	1957	1960
Selected manufactures:										
Foreign production.....	11,857	15,400	4,432	4,020	1,390	1,918	4,471	5,880	1,285	1,680
U.S. exports.....	7,212	7,025	1,384	1,790	2,638	2,097	1,335	1,845	1,428	1,781
Chemicals:										
Foreign production.....	2,411	3,290	897	1,130	408	528	372	1,240	168	280
U.S. exports.....	1,376	1,961	248	377	457	420	358	561	320	403
Rubber products:										
Foreign production.....	908	1,170	272	310	239	280	202	388	165	220
U.S. exports.....	390	472	43	62	62	74	07	153	08	23
Machinery, except electrical:										
Foreign production.....	1,903	2,400	854	790	66	109	1,809	1,426	133	190
U.S. exports.....	2,104	2,305	878	824	1,007	833	507	506	710	832
Electrical machinery:										
Foreign production.....	2,047	2,286	1,060	1,040	190	240	678	398	00	110
U.S. exports.....	810	706	240	220	281	239	114	171	100	147
Transportation equipment:										
Foreign production.....	4,228	6,170	1,488	1,650	375	710	1,700	2,920	665	840
U.S. exports.....	1,460	1,401	393	406	719	538	104	154	380	306

1. Includes Western Hemisphere dependencies.
2. Excludes civilian aircraft.

Comparatively little of the goods manufactured abroad is exported to the United States, except for traditional items such as Canadian paper and pulp or aluminum. Only about \$200 million of the items manufactured in Europe

by U.S. companies was exported to the United States in 1957, and a recent survey of a representative group of companies showed that the amount in 1960 may have been smaller.

Expansion in Incomes

(Continued from page 4)

financing. The needs for this lessened as business fell.

Profits turn upward

Reflecting the advance in economic activity, corporate profits rose sharply in the second quarter, reversing the sharp setback of the preceding year. At an annual rate of \$45½ billion, pretax earnings were \$5½ billion higher than in the first quarter and only a little lower than a year earlier. The previous cyclical peak of corporate

profits had been reached in the first quarter of 1960 when total earnings were at an annual rate of \$47½ billion. With corporate taxes taking about one-half of aggregate earnings, after-tax profits amounted to \$23 billion in the second quarter.

Roughly two-thirds of the advance in corporate profits from the first quarter occurred in manufacturing, as sales and profit margins rose in a number of industries. Earnings of automobile manufacturers showed marked improvement from the low winter

quarter, and profits in several other hard goods lines increased substantially. The recovery extended to some of the major nondurable industries as well as to nonmanufacturing generally.

With these new profits data at hand, the national income for the second quarter is estimated at \$428 billion. This is an alltime record annual rate, \$14 billion above the first quarter, and \$7 billion higher than the previous peak of \$419 billion reached in mid-1960.

NEW OR REVISED SERIES: Inventory-Sales Ratios of Manufacturing and Trade Firms¹

Year and month	Total manufacturing and trade	Manufacturing								Wholesale trade			Retail trade			
		Total	Durable goods industries				Nondurable goods industries				Total	Durable goods	Non-durable goods	Total	Durable goods	Non-durable goods
			Total	Purchased materials	Goods in process	Finished goods	Total	Purchased materials	Goods in process	Finished goods						
July..... 1960	1.68	1.90	2.18	0.40	0.38	0.73	1.41	0.68	0.20	0.68	1.60	1.37	0.77	1.40	2.10	1.08
June..... 1961	1.48	1.73	2.06	.62	.82	.72	1.41	.55	.20	.67	1.80	1.54	.81	1.33	1.88	1.07
July.....	1.49	1.72	2.05	.62	.81	.72	1.43	.55	.20	.67	1.66	1.38	.83	1.37	2.04	1.06

1. Based on end-of-month inventories, seasonally adjusted, and seasonally adjusted sales for the month.